



ASSOCIATION FOR LOCAL TELECOMMUNICATIONS SERVICES

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Jonathan Askin  
General Counsel

December 19, 2000

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

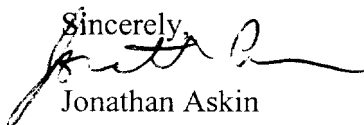
Re: CC Docket 99-68

Dear Secretary Salas:

Please include the attached written ex parte letter, filed on behalf of the ALTS and CompTel, in the public file of the above-referenced proceeding.

If you have any questions, please contact Jonathan Askin at (202) 969-2597.

Sincerely,



Jonathan Askin

cc: Chairman Kennard  
Commissioner Tristani  
Commissioner Powell  
Commissioner Furchtgott-Roth  
Commissioner Ness  
Dorothy Attwood  
Glenn Reynolds  
Jane Jackson  
Tamara Preiss  
Rodney McDonald  
Kathy Brown  
Anna Gomez  
Jordan Goldstein  
Rebecca Beynon  
Deena Shetler  
Kyle Dixon

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December 18, 2000

Ms. Dorothy Attwood  
Chief, Common Carrier Bureau  
Federal Communications Commission  
445 12th St. SW  
Washington DC 20554

**Re: CC Docket No. 99-68**

**PROPOSED TRANSITIONAL PHASE-DOWN OF  
RECIPROCAL COMPENSATION**

Dear Ms. Attwood:

The competitive industry continues to believe that the Commission's long-standing commitment to cost-based rate-setting best protects American consumers, and should not be abandoned now in the context of reciprocal compensation, particularly given that the 1996 Act requires such compensation be paid. Consequently, the competitive industry concludes there is no reason for the Commission to set aside the numerous state decisions that have ordered reciprocal compensation at rates averaging \$0.0027/MOU over the past eighteen months.

The competitive industry also understands that a draft order has been circulated by the Chairman which may contemplate bill and keep as an ultimate goal for reciprocal compensation.

The draft order also apparently contains a transition mechanism, but, absent the changes proposed below, we are concerned that adoption of the order could well create immediate and severe financial burdens for numerous CLECs. Consequently, and strictly in the narrow context of avoiding any flashcut imposition of bill and keep that fails to adequately accommodate transitional issues, and without waiving any of their administrative and judicial rights of appeal, the competitive industry believes the Commission should incorporate the changes described below into its transition plan. We propose only limited changes to the Chairman's current proposal because we believe prompt action is imperative.

Our transitional proposal is based on the following understanding of the Chairman's current plan:

- A. The phase-down plan and ultimate rate structure envisioned by the Commission would be voluntary for the states. Any state that chooses to adopt the plan would have to follow the basics of the phase-down plan discussed here.
- B. In states that adopt the Commission's plan, the result would be strictly prospective from the effective date of the state's adoption, and would not purport to relate to or affect any reciprocal payments for any period prior to the effective date of a state's adoption regardless of whether that state (or any contracts approved by that state) had previously adopted different approaches to reciprocal compensation, including, but not limited to: (1) bill and keep; (2) reciprocal compensation with true-ups dependent upon a Commission decision; (3) bill and keep dependent upon a Commission decision; or (4) a tiered compensation approach dependent upon a Commission decision.
- C. The phase-down plan and ultimate rate structure envisioned by the Commission would apply to ISP-bound traffic as well as all other local traffic, and not distinguish between the two in any way.
- D. The Chairman's current proposal contains a three-year transition under which no reciprocal compensation would be paid for in-bound traffic exceeding certain ratio benchmarks that are based upon the inbound and outbound traffic volumes exchanged between two local exchange carriers. Actual exchange ratios would be calculated using specific statewide traffic volumes exchanged between individual pairs of CLECs and ILECs. A 12-1 benchmark ratio of inbound to outbound traffic would apply during the first year, 8-1 during the second year, and 4-1 during the third year.

E. No section 252(i) rights would be affected by the Commission's action.

The only changes being proposed by the competitive industry concern the rate which would apply to traffic above the ratio during the three year transition. Instead of having the above-ratio rate be set at zero, we propose that, for states opting to implement this transition, this above-ratio rate would decline annually to 80%, 65%, and 50% of current state-approved levels (which could be TELRIC in those few states that currently lack approved reciprocal compensation rates) or until they reach a floor of one-tenth of a cent per MOU (i.e. \$0.001/MOU), whichever is higher. Specifically, we propose the following:

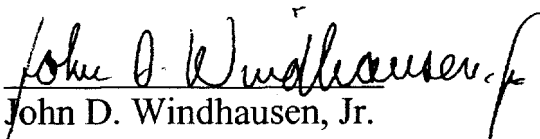
1. During the first year following state adoption (and we understand that the three year transition starts upon the effective date of state adoption) the ratio would be 12-1. The above-ratio rate would be 80% of the state-prescribed rate, or \$0.001/MOU, whichever is higher.

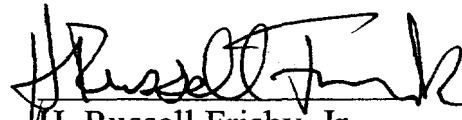
2. During the second year following state adoption the ratio would be 8-1. The above-ratio rate would be 65% of the state-prescribed rate, or \$0.001/MOU, whichever is higher.

3. During the third year following state adoption the ratio would be 4-1. The above-ratio rate would be 50% of the state-prescribed rate, or \$0.001/MOU, whichever is higher.

We again emphasize that we do not believe any reduction in reciprocal compensation is necessary as a matter of law, policy, or equity. Rather, we conclude only that this phase-down is preferable to a flash-cut implementation of bill and keep. Thank you for your consideration of this important issue.

Sincerely,

  
John D. Windhausen, Jr.  
President, ALTS

  
H. Russell Frisby, Jr.  
President, CompTel

cc: Glenn Reynolds  
Jane Jackson  
Tamara Preiss  
Rodney McDonald  
Kathy Brown  
Anna Gomez  
Jordan Goldstein  
Rebecca Beynon  
Deena Shetler  
Kyle Dixon